canada/yukon economic development agreement

Building a Community Economic Development Organization

Community Economic Development
Booklet 3

Canada

Yukon
Government

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Some Guidelines for Building Your Community Economic Development Organization

In Booklet 2 in this series, ***Identifying Your Community's Opportunities and Resources***, it was shown how Community Economic Development planning associations* can be used to identify possible projects in your community, and to decide on priorities for action. But, deciding on possible activities and setting priorities provides you with only some of the information you need to put together an Action Plan. Once you have agreed on priorities, your planning group must also consider these questions:

- What should be the relationship of your Community Economic Development planning association to the project, once it is operating?
- What management system should be developed?
- What will be the appropriate type of ownership: private, cooperative or community?
- In other words, should the group assist a local person to develop the enterprise, develop the project itself and then sell it to a local resident, or retain ownership on behalf of the community?

The answers to these questions depend on local conditions. Your Community Economic Development planning association must therefore develop an action plan that is uniquely tailored to operate in your community. This does not mean you must do your planning in isolation. Much can be gained from asking the opinions of knowledgeable people, especially those involved in other Community Economic Development organizations.

In terms of "structure", it is common for a new community organization to start as a non-profit association or society. It may then reincorporate as a community development corporation or community cooperative when the time comes to take on more complex initiatives. Or, it may choose to remain a non-profit society and continue to function in a flexible and less formal manner. The choice will ultimately depend on the long term objectives, and energies, of the organization's membership.

* A Community Economic Development planning association is the group of people who agree to work together to develop a project. Usually its members include a small "core group" plus a few others who, because of their interest or expertise, will be useful and committed to a Community Economic Development project. See Booklet 1, ***Finding Your Own Way***, for a discussion of core groups.

The Old Crow Co-op Association, established in the mid-1970s, runs the only retail outlet supplying groceries, hardware and drygoods to the community.

Example Operating Principles for Community Economic Development Organizations

On the next page is a list of operating principles which have been adopted by Community Economic Development organizations in a number of northern communities in Canada. Although they arrived at a common set of principles, each group started by asking what type of corporate structure would be most suitable for their particular projects. They also asked what type of organizations and businesses had operated successfully in their community or region in the past. And finally, each group wanted to know what type of organization would enable the community to get involved. From these discussions, group members were able to develop several operating principles for their new Community Economic Development organizations, including some or all of the following examples.

Example Operating Principles

1. The local government would have representation on the Board.
2. The majority of the Board members would be from other community organizations.
3. The organization would be legally separate from the activities of the local government.
4. All established community groups would be invited to nominate two members to the organization.
5. The organization's members would elect the Board of Directors.
6. The Board of Directors would invite two or three people with skills in business and planning to be resource people for the group.
7. The organization would develop new businesses and sell them to local residents, once they had been established.
8. The organization would also assist local residents in starting their own businesses.
9. Within three years, the organization would establish an investment company which would lend money to local entrepreneurs or regional development projects.
10. The investment company would be owned by the Community Economic Development organization and managed by a committee appointed by the Board.

Once these principles — or others — have been established and accepted by the planning group, they are typically reviewed and approved by local government and/or the community as a whole. The next step is for the planning group to seek out a consultant or a lawyer who can provide competent advice on what type of corporation will be most suitable for reaching established goals.

The principles already listed are appropriate for groups that want to start by establishing a community-wide "umbrella" organization. This approach is used by some groups in northern communities in an attempt to overcome traditional community divisions. By starting with a new organization devoted to an important cause, and by giving major interest groups a legitimate voice, such attempts can often entice everyone to try working together.

But these "umbrellas", called community development corporations, are rather complex structures. As noted earlier, a new organization is more likely to begin small and simple as a non-profit community association or society, and may choose to remain as such.

Guidelines for Choosing Your Organization's Structure

When a group is ready to begin developing projects, it should explore what type of legal corporation will be most suitable. There are no fixed formulas for making this choice. Ultimately, each community group needs to develop an organization that will work well in its particular situation. Nearly all groups, however, will use the following organizational "building blocks".

1. Developing a Statement of Purpose

Your Statement of Purpose — or Mission Statement — is a short description of the philosophy and aims of your organization.

The ideal approach to developing your organization is to involve as many people in the community as possible. Community-wide workshops and seminars are a good way to begin, but are not absolutely necessary. It is sufficient for the planning group to establish the general purpose and activities of the corporation, keeping in mind that the Mission Statement is not written in stone. It is a tool to be referred to, and used and changed over time, as your organization grows and develops.

2. Creating an Action Plan

Your Action Plan is your map. It explains what the organization or corporation is expected to accomplish, when these tasks will be completed and what resources will be used. When your Mission Statement has been established and accepted by the members of your planning group, a smaller sub-committee should be given the responsibility to develop your Action Plan. The Plan will have two main parts: a list of Goals and Objectives, and an Operating Plan.

Goals and Objectives are short, accurate statements which describe what you intend to do, when you expect to complete each task and what resources will be used. Two sample goal statements appear below.

To provide public transportation services to people in suburban Whitehorse by purchasing three mini-buses and putting them into operation on established public routes within two years.

or

To minimize maintenance costs by training members of the Yukon Women's Mini-Bus Society to perform minor repairs on buses. Training will be ongoing and will be offered to members by staff.

Your **Operating Plan** describes who is responsible for the various tasks, how decisions will be made, how resources will be allocated, and what procedures will be used to evaluate the success of your project.

Dalyn Berryman, second-prize winner in a school drawing contest, describes the usefulness of a Whitehorse mini-bus.

Your completed **Operating Plan** should include the following sections.

An **Introduction** which includes:
- a brief (two-line) Project Description, outlining what you are trying to do,
- a statement of Rationale, that explains why the project is important, and
- a Mission Statement, describing your group's purpose and its basis of unity.

A list of **Goals and Objectives** indicating:
- what will be accomplished,
- by whom,
- using what resources, and
- by when.

A summary of **Strategies for Action** (or in business terms, a Marketing Plan) which describes:
- what your planned activities are,
- why you think they will accomplish your goals,
- what the strengths and weaknesses of your strategies are,
- how you intend to minimize weaknesses, and make the most of your strong points, and
- what external events might have an impact on your plans and how you intend to deal with them.

A **Management Plan** dealing with:
- **Structure** — a description of your organization (with an organizational chart) and of your management team (Board and staff members),
- **a Work Plan** — a schedule for the completion of important tasks, and
- **Evaluation** — how, and when, you expect to know if you are successful.

A Financial Plan identifying **Required Resources,** with details on:
- **Donations** — the amount of contributed services, equipment and volunteer time that has been given already or promised to the project,
- **Finances** — where cash resources will come from to start and operate your project during its first three years?
- **Budgeting,** and
- **Financial Statements.***

Be Sure to Put Your Plan into Writing

* In terms of financial statements, Balance Sheet and Cash Flow are the most important. You may also be asked for a Break-Even analysis if you are applying for loans, grants or contributions.

Introduction

Building a Community Economic Development Organization is Booklet 3 in a series of 4 booklets on Community Economic Development. These booklets have been prepared for the use of Yukon communities under the Canada/Yukon subsidiary Agreement on Economic Development Planning. Other titles in the series are:

Booklet 1
Finding Your Own Way: An Introduction to Community Economic Development for Yukon Communities
Booklet 2
Discovering Your Community's Opportunities and Resources
Booklet 4
Achieving Success: Community Economic Development Initiatives in Northern Communities

This third booklet discusses how to develop an action plan for your Community Economic Development project. It also describes five common options for organizational structure. These options, some more formal than others, each have their particular strengths and advantages. When trying to determine which option is best for you, be sure to look for the advantages most suited to the overall goals and objectives of your project.

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Options: Five Common Structures For Community Economic Development Organizations

Your organization's structure is the vehicle your project rides in as your put your plan into action. Legal incorporation of your group is usually a task that goes hand-in-hand with establishing an **Operational Plan**. In Canada, there are five basic structures which community organizations use most frequently.

1. Community Economic Development Associations
2. Community Enterprises
3. Community Cooperatives
4. Community Enterprise Centres
5. Community Development Corporations

1. Community Economic Development Associations

Associations are usually incorporated as non-profit corporations with membership open to interested residents in the community, often for a small membership fee. Associations typically work closely with local government. Their Boards are elected by the membership. The cost of incorporation and name search is less than $100.

Community Economic Development associations are excellent structures for planning purposes, and for providing technical assistance to local groups and individuals. They are often formed when groups feel a need to have a formal legal structure early on in the planning process. In these cases, the informal and unincorporated Community Economic Development planning association (discussed in Booklet 2) becomes a formally incorporated, non-profit Community Economic Development association. And thus, the work of the initial group continues beyond the planning stage of the project. The organization which established Whitehorse's public transportation system, the Yukon Women's Mini-Bus Society, is an example of a Community Economic Development association.

It is important to note that associations are not easily accepted as owners or managers of businesses or investment funds. Resources available to this type of organization, furthermore, are minimal. Information and organizational assistance for Community Economic Development associations can nevertheless be obtained from local government offices, and possibly public libraries and the community college.

2. Community Enterprises

This model is particularly popular in Scotland, as well as in many regions across Canada. As a single venture owned by the community, the enterprise is incorporated as a for-profit corporation with 100% of the shares being held by the community organization. Although there are no fixed rules governing the share structure and voting rights of members, most community ventures actively discourage individual members or small groups from gaining control of the company. Shareholders elect a Board of Directors which works directly with the manager of the business. Usually the organization's purpose is limited to managing the business. In some cases a share structure is established where organization members, employees, and possibly the local government are invited to purchase shares.

An interesting variation on this model was developed by the J.A.L group in rural, eastern Quebec. A forestry business, established as a community enterprise (joint-stock company), is actually operated as a cooperative. 250 residents are members, and of these, 175 are small woodlot owners. The woodlot owners are given two shares each for permitting the company to manage their woodlot for 15 years. The woodcutters, as well, get two shares.

Community enterprises are currently active in a number of business areas including textiles, furniture production, transportation services, computer services, agricultural products and construction. The resources required by a community enterprise are similar to any conventional private business. Incorporation costs between $800 and $1,000 if processed by a lawyer. Finding adequate capital and working capital for the first three to five years is a critical and major challenge for many projects.

Since the community enterprise is managed by a volunteer Board (elected by the members), it is essential that Board members have an in-depth understanding of the nature of the business and access to good legal and financial advice. To assist their development, community enterprises in Canada have used the services and resurces of the government, the Federal Business Development Bank's CASE program, the Canadian Executive Services Overseas organization, community colleges and private consultants.

3. Community Cooperatives

Community cooperatives and community enterprises are similar in structure, although in most provinces and the territories, there is specific legislation defining the nature of cooperative organizations. Cooperatives in Canada are predominantly involved in service activities (e.g. cooperative food stores). There is, however, increasing interest in worker-cooperatives in some production industries; and a few cooperatives have become involved in several types of business activities.

Cooperatives are typically structured so that members purchase shares in the cooperative and have an equal vote on issues pertaining to the affairs of the organization. As a group, the members elect a Board of Directors. Unlike community enterprises, however, cooperatives are restricted by law in the amount of dividends which can be distributed to members. Community cooperatives are also legally restricted in their ability to raise equity capital from investors.

Despite some real limitations, cooperatives are important Community Economic Development vehicles in many communities in the northern regions of Canada, Scandinavia and Alaska. Technical resources are well-established in many areas of Canada; and are available from cooperative federations, government or the Co-op College (Saskatoon).

The Yukon Indian Arts and Crafts Cooperative (described in booklet 4, Achieving Success) functions as a supply, production, marketing and retail operation in the interests of the native community.

4. Community Enterprise Centres

Community enterprise centres, although very popular in Europe and the United States, are relatively new in Canada. Structurally, they are non-profit corporations with membership open to any community resident who is willing to assist with the development and management of the centre. Local government is usually an active supporter of the centre's creation, and often, plays a very active role in the its planning.

The purpose of a community enterprise centre is to provide new local entrepreneurs with a small place to start their businesses. To guide the development of these businesses, one-to-one business counselling and possibly financial assistance are made available. The centre charges the clients rent for the use of the facilities and, in some situations, a small service fee for the counselling. A few community enterprise centres also manage a small loan fund for their clients. Loans from this fund do not have to be repaid until after the start-up of the business. Clients of the centre usually remain a part of the program for one or two years, then move out to allow space for other new businesses.

Community enterprise centres are complex undertakings. They require the availability of technical services, a good facility with all of the necessary building services, some operating funds to cover shortages during the start-up period and a strategic plan which clearly identifies areas of business opportunity. The Director of the centre plays a critical role in the project, as s/he is responsible for managing the facility and supporting all of the clients.

While there is some potential for this type of initiative in northern communities, there are currently no well-established community enterprise centres in northern Canada. For centres to be successful, it is important that a suitable community infrastructure exists — including transportation, good buildings, and the availability of supplies and technical services. As well, it is important that northern centres be flexible and open with regard to the types of enterprises they will support. At the present time there are no specific resources available for this type of initiative in northern communities.

5. Community Development Corporations

Community development corporations have become in the past 10 years an important and popular vehicle for local economic development. Unlike most Community Economic Development organizations, community development corporations are involved in a wide range of for-profit and non-profit activities. For instance, some corporations have successfully developed new businesses while involved, at the same time, in employment training and community health issues. Community development corporations are usually non-profit corporations. They have a membership base which is open to all community residents either directly or through other supporting community organizations. The membership elects the Board which in turn elects the Executive. Since the corporation is involved in several activities, each Board member is usually given the responsibility for one of the corporation's projects. For-profit activities are usually run as wholly-owned subsidiaries of the corporation.

Community development corporations often establish investment companies to provide new businesses unable to get financing from private banks and credit unions with loans or equity investments. As a subsidiary, an investment company would be owned by the community development corporation and managed by a group of appointed Board members, possibly with one or two non-Board members who have needed skills.

Community development corporations are established when a community feels it requires an organization which will: a) be able to work with several initiatives simultaneously; b) have maximum flexibility; c) be able to transfer its resources from for-profit activities to non-profit activities; and d) have minimum restrictions on its investment policies.

Community development corporations have been established across Canada in both rural and urban areas. In northern Canada, native groups have established corporations to administer the funds received from land claim agreements or to take advantage of large resource development projects in the surrounding region.

Several rural-based community development corporations have been operating for at least three years in Canada. Although they are located in areas less isolated than the Yukon, their local economies have similar problems and the projects are worth knowing about.

For example, there are LEAD (Local Employment Assistance) corporations operating successfully in Rainy River, northwest Ontario, and in Williams Lake and the Nicola Valley of British Columbia. North-West LEDA Corporation in North Battleford, Saskatchewan, is active in the surrounding rural settlements, and the Dakota-Ojibway Development Corporation works throughout rural Manitoba. These federally-funded corporations invest money in local small businesses while also supporting such activities as mainstreet redevelopment, improvements to community recreation activities and economic planning.

In the Yukon, many opportunities for the establishment of Community Development Corporations lie in the renewable resource sector.

Other community development corporations in Alert Bay and Fort Liard, J.A.L. in eastern Quebec, and several Rural Development Associations in Newfoundland-Labrador are directly involved in the start-up of new community and privately-owned businesses. Financial resources from both government and non-government organizations contribute to the work of these groups.

Community development corporations require a significant amount of local and external resources. Incorporation costs can exceed $1,000 and additional legal advice is often required. Corporations usually need a staff person, and a diverse and skilled Board of Directors with experience in business, community services and finance. Community development corporations typically choose one of two approaches: to start up new businesses and retain ownership; or to assist local individuals and groups in establishing new enterprises. In both situations significant financial and technical resources are necessary. In fact, some practitioners believe that small communities should establish regional corporations in order to create an adequate resource base.* Resources to establish community development corporations are available from the federal government, usually through the Canadian Employment and Immigration Commission and the Department of Regional Industrial Expansion, and from the territorial government.

* One example of such an organization is the MacKenzie Delta Regional Development Corporation which is described in detail in Booklet 4, ***Achieving Success***.

A Summary Of Options

Type of Organization	Normal Tasks	Time Before Full Operation
Community Economic Development Association	research and provide technical assistance	6 months - 2 years
Community Enterprise	start and manage a single business	1 - 5 years
Community Cooperative	start and manage one or more enterprises	1 - 5 years
Community Enterprise Centre	start and manage a facility and support program for new entrepreneurs	2 - 5 years
Community Development Corporation	establish comprehensive local development organization involved with several businesses, training programs and possibly an investment program	3 - 10 years

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